

## **INITIAL STATEMENT OF REASONS**

### **4407.1: Small Business Owners**

#### **SPECIFIC PURPOSE OF THE REGULATION**

The proposed regulation would allow the Panel to fund training for the owners of small businesses with 100 or less employees under the Small Business Pilot Project.

#### **NECESSITY**

In its enabling legislation, the Panel is directed to, among other requirements, prioritize its service to small businesses with 100 or less employees. Additionally, Governor Davis promulgated Executive Order D-37-01 which required all state agencies to aggressively pursue an annual 25 percent small business participation in state contracting. Over the years, the Panel has implemented various procedures to attempt to assist small employers in accessing Panel training funds. However, the Panel has yet to establish an effective method of serving such small businesses.

In order to increase the number of small businesses served, the Panel decided to implement a pilot project, called the Small Business Pilot Project (SBPP), to test an expedited application and contract development process designed to allow a greater number of small businesses with 100 or fewer employees to participate in ETP-funded training. The SBPP is targeted at companies who may not otherwise been able to compete in the current contract development process. The SBPP will be effective for a one-year period, which has already commenced.

In implementing the SBPP, the Panel determined that a regulation was needed to permit small business owners to participate in training under the SBPP project. The Panel's past experience indicates that both the owner and his/her company benefits when the owner actually participates in training with his/her employees. Such owner participation encourages the workers to participate more fully and enthusiastically in the training. This participation by the owner leads to a better understanding of the training project which, in turn, can also increase the company's likelihood of having a more successful training contract.

#### **TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENTS**

Except for the Panel Strategic Plan 2002-2003, the Panel did not rely upon any other technical, theoretical, or empirical studies, reports or documents in proposing this regulatory action.

#### **ALTERNATIVES TO THE REGULATIONS CONSIDERED BY THE AGENCY AND THE AGENCY'S REASONS FOR REJECTING THOSE ALTERNATIVES**

No other alternatives were presented to or considered by the Panel.

#### **ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON SMALL BUSINESS**

The Panel has not identified any alternatives that would lessen any adverse impact on small businesses.

#### EVIDENCE SUPPORTING FINDING OF NO SIGNIFICANT ADVERSE ECONOMIC IMPACT ON ANY BUSINESS

The proposed regulatory action does not impose any expenses on businesses. Therefore, the proposed regulatory action would not have a significant adverse economic impact on any business.

### **Title 22 Employment Training Panel Article 2**

#### **4407.1. Small Business Owners**

(a) A proposal to train the employees of a small business may include training for the owner of the business provided the following criteria are met:

(1) The business employs 100 or fewer full-time employees, excluding the owner.

(2) The owner is an individual having all or a substantial (at least 20%) financial investment in the business, and is directly involved full-time in the day-to-day operation of the business.

(3) The owner is not subject to the eligibility provisions of §10201(c) of the Unemployment Insurance Code.

(4) At least one employee must participate in training along with the owner of the business.

(5) The business is participating in the Panel's Small Business Pilot Project.

(b) Training for small business owners under this section is not limited to business management skills.

(c) For purposes of this regulation, the Small Business Pilot Project is the Panel's pilot project to test an expedited application and contract development process designed to allow a greater number of small businesses with 100 or fewer employees to participate in Panel-funded training.

Authority: Section 10205(m), Unemployment Insurance Code.

Reference: Sections 10200(a), 10201(c), 10203, Unemployment Insurance Code.